

House File 2134 - Introduced

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BY WILLS and JONES

A BILL FOR

1 An Act prohibiting employers from entering into noncompete
2 agreements with employees under specified circumstances, and
3 including applicability provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. **96A.1 Definitions.**

2 As used in this chapter, unless the context otherwise
3 requires:

4 1. "*Employee*" means a natural person who is employed in this
5 state for wages by an employer.

6 2. "*Employer*" means a person, as defined in chapter 4, who
7 in this state employs for wages an employee.

8 3. "*Noncompete agreement*" means an agreement between an
9 employer and an employee that restricts the employee from
10 performing any of the following:

11 a. Working for a different employer for a specified period
12 of time.

13 b. Working for a different employer in a specified
14 geographical area.

15 c. Working for a different employer that is similar to
16 the employee's work for the employer who is a party to the
17 agreement.

18 4. "*Solicit*" or "*solicitation*" means an employee wrongly
19 attempting to sell, fraudulently convey, or distribute employer
20 property, including confidential lists and trade secrets.

21 Sec. 2. NEW SECTION. **96A.2 Noncompete agreements with**
22 **employees — prohibition.**

23 1. An employer shall not require an employee to enter into
24 a noncompete agreement except where employer financial loss or
25 trade secrets are at risk. For the purposes of this section,
26 "*financial loss*" means a potentially significant negative
27 financial impact or consequence incurred by an employer
28 attributable to the loss of an employee's services or work
29 product. For the purposes of this section, "*financial loss*"
30 does not include resources used in the course of employee
31 training.

32 2. An employer may require that the employee enter into a
33 nonsolicitation agreement.

34 3. A noncompete agreement entered into between an employer
35 and an employee on or after the effective date of this Act

1 shall be void and unenforceable.

2 Sec. 3. APPLICABILITY. This Act applies to noncompete
3 agreements entered between an employer and an employee on or
4 after the effective date of this Act.

5 EXPLANATION

6 The inclusion of this explanation does not constitute agreement with
7 the explanation's substance by the members of the general assembly.

8 This bill prohibits an employer from requiring an employee
9 to enter into a noncompete agreement. The bill provides that
10 such agreements entered into on or after the effective date of
11 the bill shall be void and unenforceable.

12 The bill defines "noncompete agreement" as an agreement
13 between an employer and an employee that restricts the employee
14 from performing work for a different employer for a specified
15 period of time, work in a specified geographical area, or work
16 for a different employer that is similar to the employee's work
17 for the employer who is a party to the agreement. The bill
18 allows an employer to enter into a nonsolicitation agreement
19 with the employee, by which the employee must refrain from
20 sharing confidential information with outside parties.

21 An employer may enter into a noncompete agreement with an
22 employee where financial loss or trade secrets are at risk.
23 The bill provides that financial loss includes a potentially
24 significant negative financial impact or consequence incurred
25 by an employer attributable to the loss of an employee's
26 services or work product, and does not include resources used
27 to train an employee.

28 The bill applies to noncompete agreements entered into on or
29 after the effective date of the bill.